

Equity Building on DORAL. . . .

. . . It's Working

(February, 1996)

51859 6948

"Equity Building" on DORAL is Working!!

1. DORAL is Bigger and More Profitable Today

- Both total MAM & MAM per M are up -vs- 1992
- Total spending on a per M basis is lower versus previous years despite equity investment for '94 & '95
- Volume, SOM, and SOS have grown year to year over the last three years

2. DORAL is Less Reliant on Discounting (it is still important)

- Discounting on a per M basis in 1994 & 1995 is significantly below previous years
- % of total spending that is discounting has decreased every year since 1992 (89% → 61%)
- Average coupon values and % volume promoted has decreased and somewhat stabilized
- % PV mix has moved from discounting only to a mix of discounting and promotion

3. Net Retail Price of DORAL Has Increased on Average Over the Past Two Years

- Despite price rollback
- Without benefit of frequent price increases

"Equity Building" on DORAL is Working!!

(continued)

4. Buyer Dynamics are Extremely Strong and Growing

- More UB's with higher share of requirement
- More occasional users and "triers"
- Conversion results of OCU's that are unprecedented
- 3MM buyers -vs- 2.5MM a year ago
- Much stronger buyer base than either GPC or Basic
 - more UB's/more loyal
 - more equity driven than "price"

5. DORAL's Positioning is Effective

- Prime prospect consumers are aware of, understand, and motivated by positioning (high awareness; strong attribute play-back of positioning; improved opinion)
- Purchase intent is higher among those aware of brand/positioning.
- Increased buyer base and conversion success driven by brand positioning

"Equity Building" on DORAL is Working!!

(continued)

6. Key Competitor Performance, Strategy and Profitability Support DORAL's Efforts

GPC

Positioning: Big brand at low price (real taste, real deal)

Strategy: Mass presence; mass availability (lower volume calls); low price

Profitability: Less profitable than DORAL

Performance: Growth trend, but slower than DORAL

Basic

Positioning: Tastes good, cost less. . . your Basic cigarette

Strategy: Q1-Q3 '95 → Heavy proposition communication; heavy promotion; mass presence; less discounting
Q4 '95-1996 → Same as Q1-Q3 plus more discounting

Profitability: Q1-Q3 '95 → More profitable than DORAL on per M basis
Q4 '95-1996 → More in line with DORAL

Performance: Q1-Q3 '95 → Flat
Q4-1996 → Growth via a more balanced strategy

Net. . . GPC is growing at lower margins with little equity; Basic is moving to more of a balanced (DORAL) strategy in order to grow.

MARLIN Share Summary

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1995 -vs- 1993</u>	
				<u>Diff.</u>	<u>%</u>
SOM (MARLIN)	4.03%	4.59%	5.24%	1.21	30.0%
SOSAV (MARLIN)	12.76%	15.20%	17.74%	4.98	39.0%

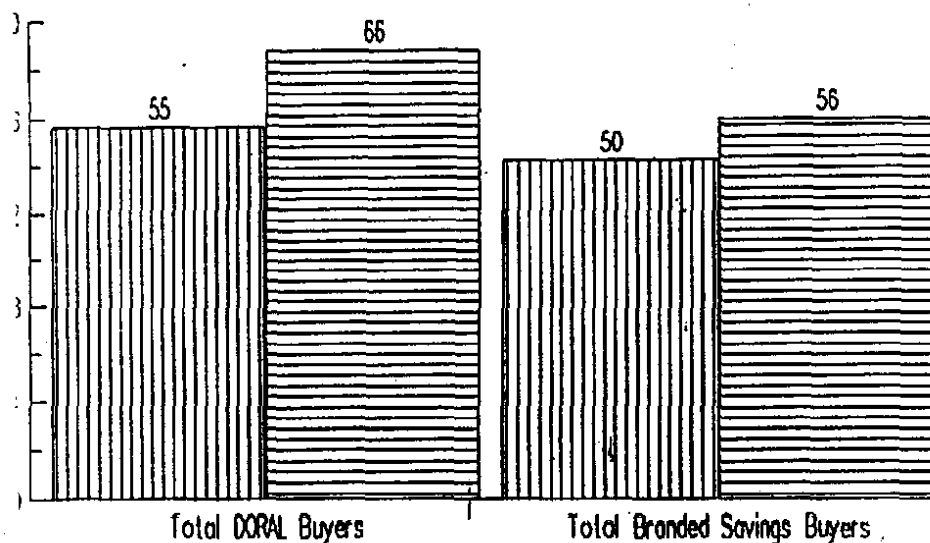
51859 6952

DORAL ADVERTISING/PERCEPTIONS TRACKING RESULTS

- DORAL's advertising campaign, introduced in May 1995, has contributed to the brand's improved buyer dynamics.
 - The campaign, which is being executed across the marketing mix, has significantly increased awareness of the brand's advertising among not only the brand's current buyer base but also among total Branded Savings buyers.
 - Awareness of the advertising campaign has generated an improvement in the overall opinion of DORAL among one-third of the brand's buyers and one-fourth of total Branded Savings buyers. Stronger purchase commitment to the brand was also evident among both buyer groups.

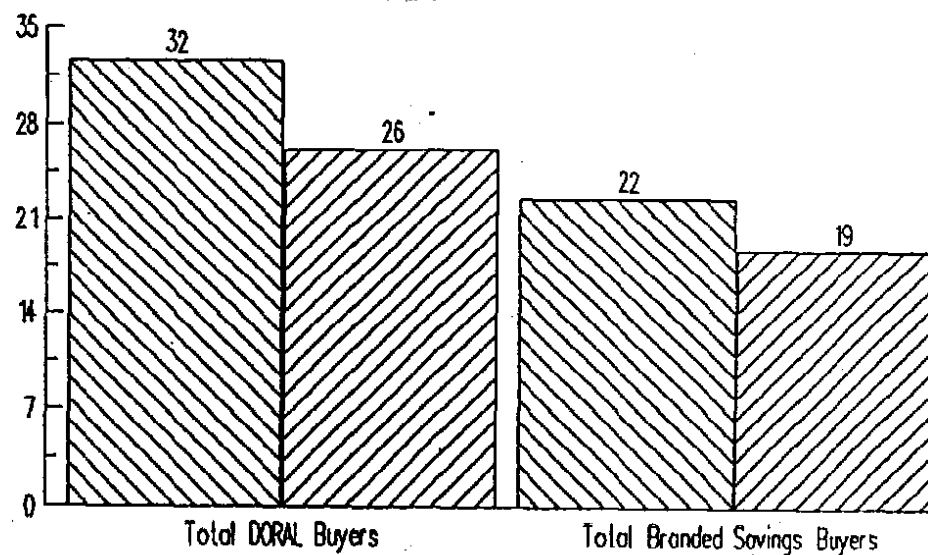
R.J. REYNOLDS CIGARETTE TRACKING
DORAL PERCEPTIONS TRACKING and DORAL ADV
Aware of DORAL Advertising Respondent Share

▨ - March/April 1995 (Pre Period) ▨ - May/December 1995 (Post Period)



R.J. REYNOLDS CIGARETTE TRACKING
DORAL PERCEPTIONS TRACKING and DORAL ADV
Respondent Share: May/December 1995 (Post Period)

▨ - Improved Opinion ▨ - Increased Purchase Intent

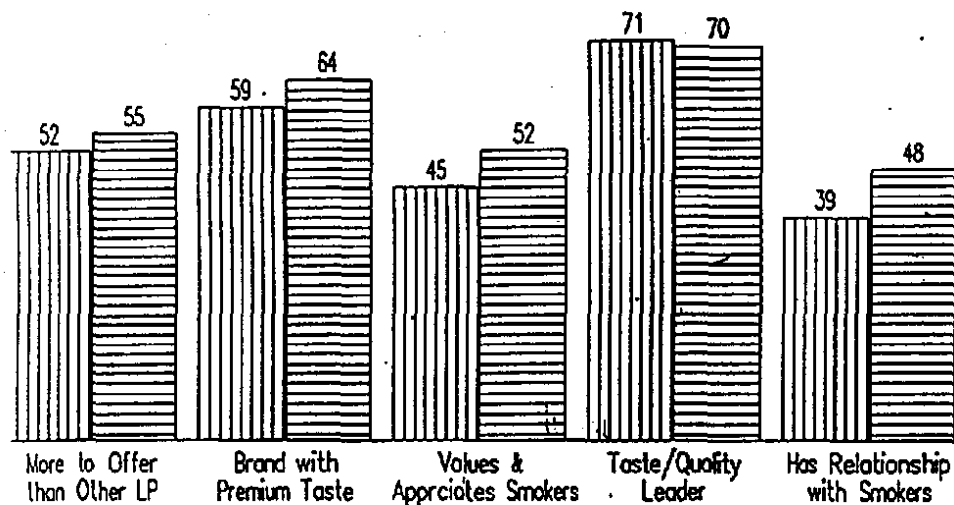


DORAL ADVERTISING/PERCEPTIONS TRACKING RESULTS

- DORAL's advertising campaign has been effective in communicating key attributes inherent in the brand's *True Friend* positioning. Specifically, since the campaign's introduction, there has been a significant increase in the percentage of DORAL buyers agreeing that the brand:
 - Has premium taste
 - Values and appreciates its smokers
 - Has a relationship with and supports its smokers
 - Has more to offer than other low-priced brands (directional increase)
- Perceptions of DORAL among total Branded Savings buyers have been on an upward trend as well.

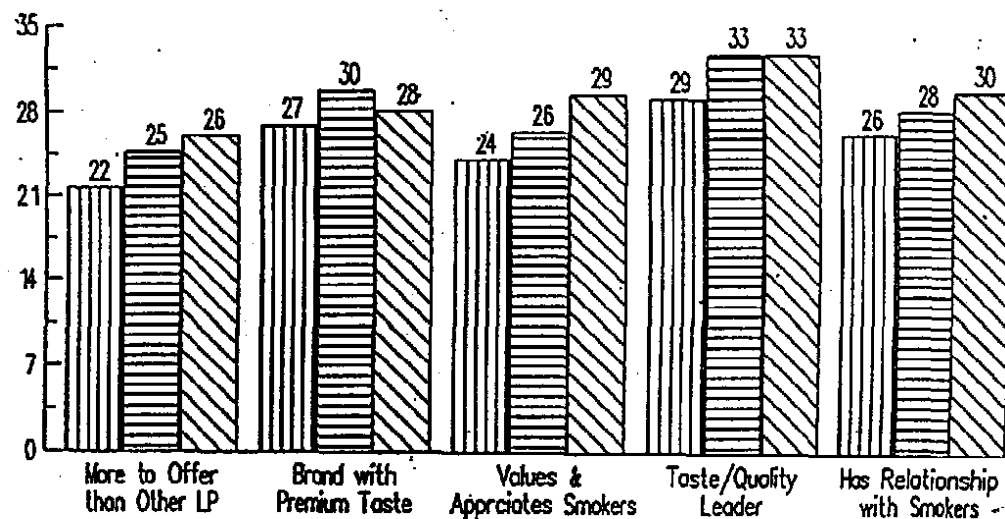
R.J. REYNOLDS CIGARETTE TRACKING
DORAL PERCEPTIONS TRACKING and DORAL ADV
Total DORAL Buyers Respondent Share

▨ - March/April 1995 (Pre Period) ▤ - May/December 1995 (Post Period)



R.J. REYNOLDS CIGARETTE TRACKING
DORAL PERCEPTIONS TRACKING and DORAL ADV
Total Branded Savings Buyers Respondent Share

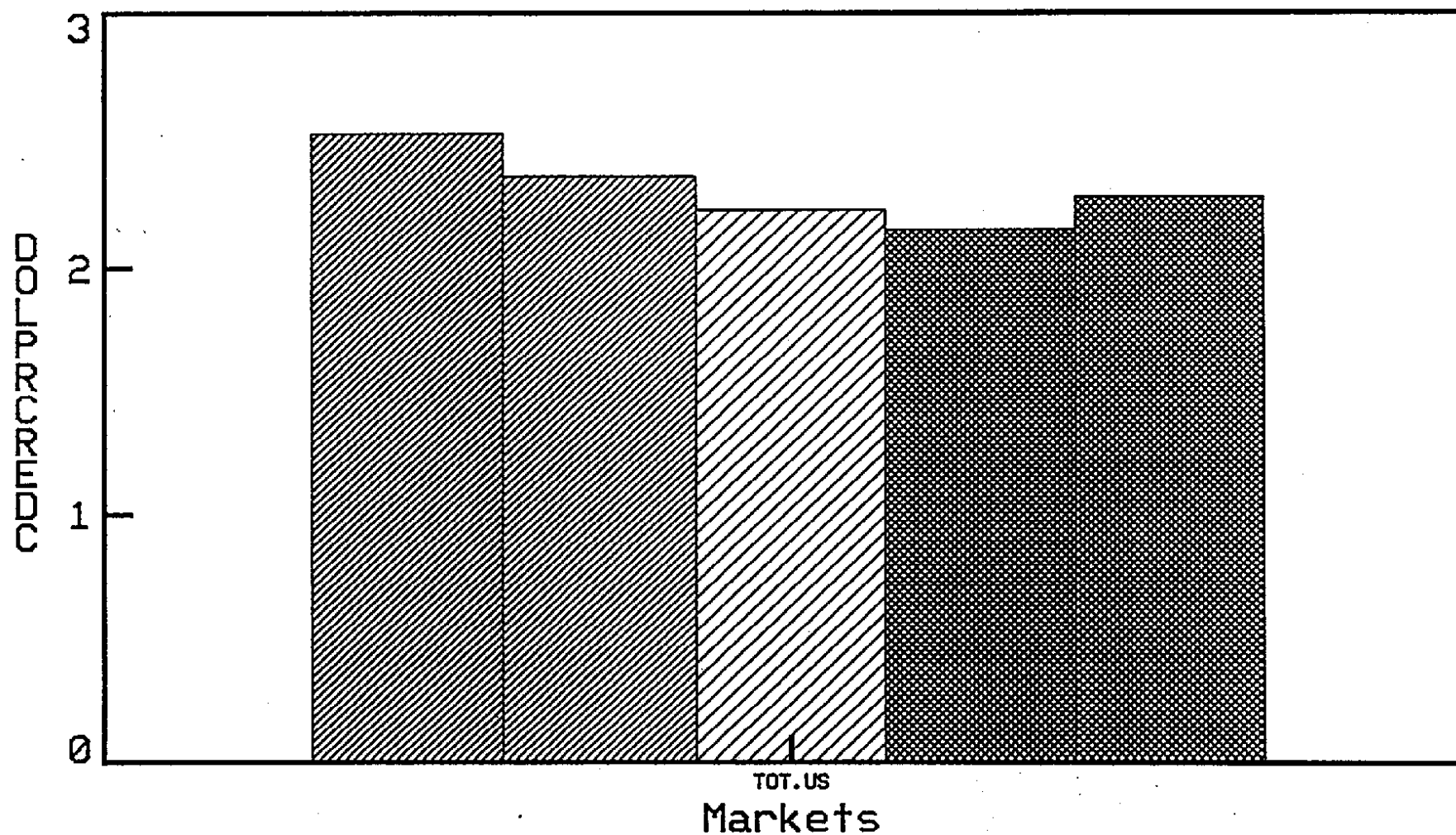
▨ - May/June (Campaign Intro) ▤ - Third Quarter 1995 ▩ - Fourth Quarter 1995



51859 6954

AVERAGE CARTON COUPON VALUE (\$)

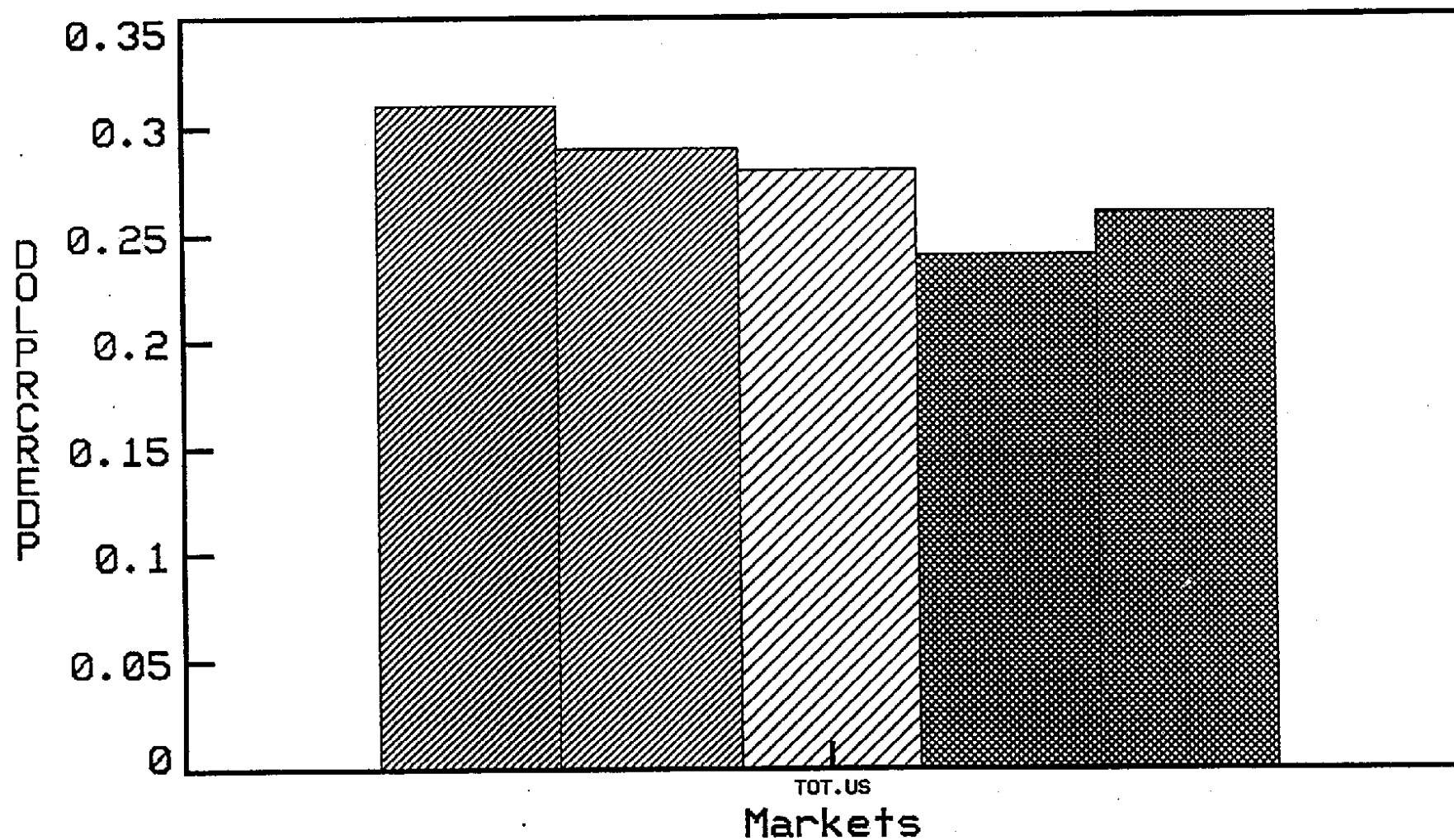
MARLIN DORAL



QTR DEC 94 QTR MAR 95 QTR JUN 95
QTR SEP 95 QTR DEC 95

AVERAGE PACK COUPON VALUE (\$)

MARLIN DORAL



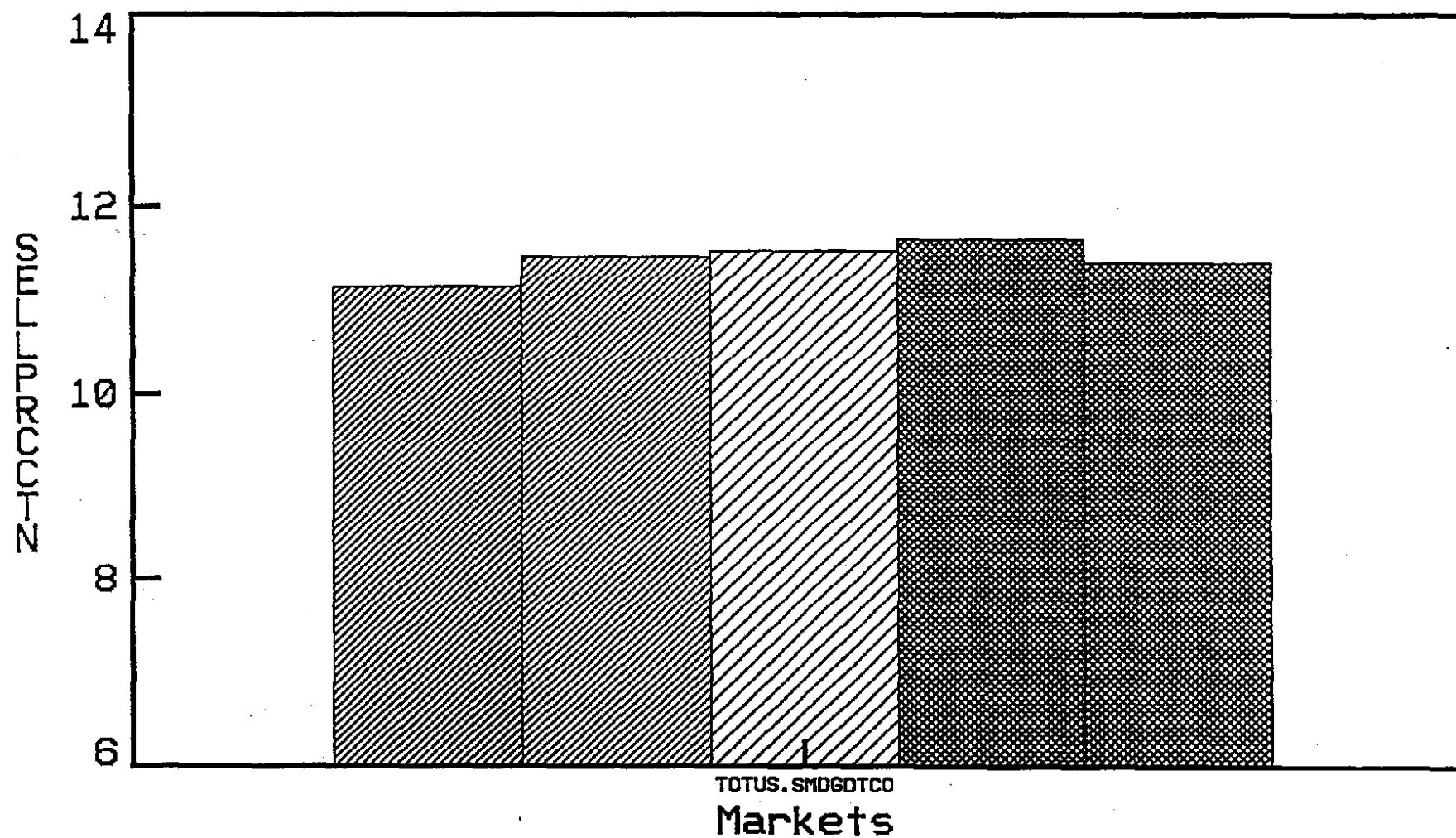
QTR DEC 94
QTR SEP 95

QTR MAR 95
QTR DEC 95

QTR JUN 95

RETAIL CARTON SELLING PRICE (\$)

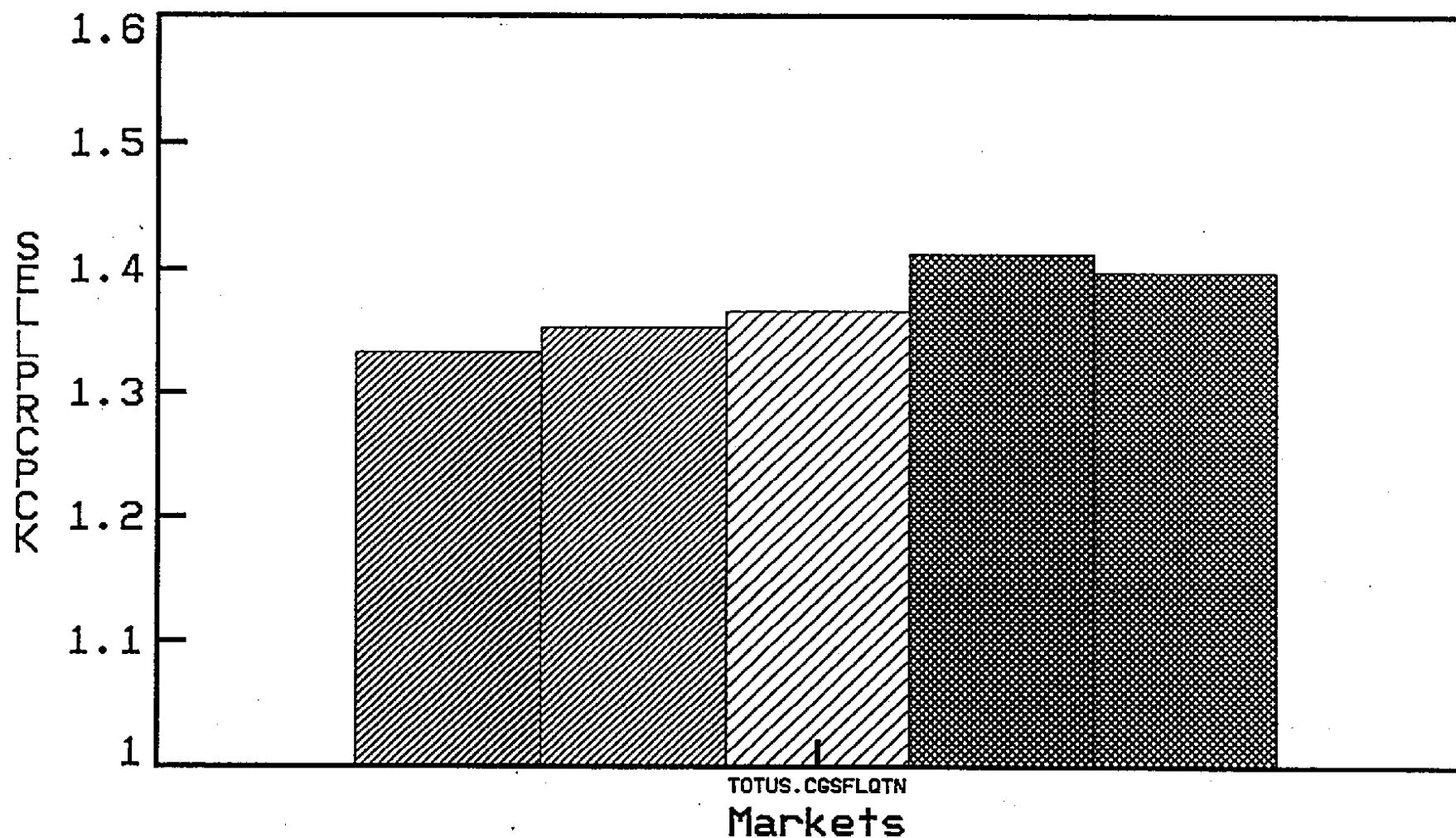
MARLIN DORAL



QTR DEC 94 QTR MAR 95 QTR JUN 95
QTR SEP 95 QTR DEC 95

RETAIL PACK SELLING PRICE (\$)

MARLIN DORAL



QTR DEC 94 QTR SEP 95 QTR MAR 95 QTR DEC 95 QTR JUN 95